

AMENDED IN ASSEMBLY APRIL 16, 2001

AMENDED IN ASSEMBLY MARCH 27, 2001

CALIFORNIA LEGISLATURE—2001–02 FIRST EXTRAORDINARY SESSION

Assembly Joint Resolution

No. 1

**Introduced by Assembly Members Cardoza and Keeley
(Coauthor: Assembly Member Negrete McLeod)**

March 22, 2001

Assembly Joint Resolution No. 1—Relative to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

AJR 1, as amended, Cardoza. Natural gas.

This measure would urge the President, the Congress of the United States, and the Federal Energy Regulatory Commission to take certain actions to address the substantial increase in the cost of natural gas resulting from federal deregulation of natural gas.

Fiscal committee: no.

1 WHEREAS, Expenditures for natural gas in California will
2 have increased from \$8 billion in 1999 to \$13 billion in 2000, and
3 to an estimated \$32 billion in 2001; and
4 WHEREAS, These increases have had and will have
5 devastating impacts on residential, agricultural, and business
6 natural gas users and on the cost of generating electricity, and will
7 have a devastating impact on the California economy; and
8 WHEREAS, In 1938, Congress enacted the National Gas Act
9 to regulate the sale of natural gas because it “considered that the
10 natural gas industry was heavily concentrated and that

1 monopolistic forces were distorting the market price for natural
2 gas”; and

3 WHEREAS, Congress’ “primary aim ... was to protect
4 consumers against exploitation at the hands of natural gas
5 companies” and to ensure consumers “access to an adequate
6 supply of gas at a reasonable price”; and

7 WHEREAS, By 1989, Congress had fully deregulated the sale
8 of natural gas at the wellhead; and

9 WHEREAS, Interstate natural gas pipelines are still regulated
10 under the federal Natural Gas Act, with maximum pipeline
11 transportation rates being established by the Federal Energy
12 Regulatory Commission (FERC); and

13 WHEREAS, By 1992, FERC (not Congress) deregulated
14 natural gas sales by wholesalers who use interstate natural gas
15 pipelines, but FERC said that it would entertain complaints about
16 market misuse; and

17 *WHEREAS, In 2000, FERC removed price controls on the sale*
18 *of natural gas pipeline capacity by marketers, retained price*
19 *controls on the sale of natural gas pipeline capacity by owners of*
20 *pipelines, and said that FERC would entertain complaints about*
21 *market misuse; and*

22 WHEREAS, Wholesalers of natural gas must pay the pipeline
23 transportation price that is less than or equal to the maximum
24 pipeline transportation rate established by FERC, but may charge
25 more than the FERC-established maximum pipeline
26 transportation rate; and

27 WHEREAS, California entities have filed complaints with
28 FERC about market misuse; and

29 WHEREAS, Natural gas deregulation has worked in every state
30 except California, where spot natural gas costs at the California
31 border have skyrocketed, reaching \$62 per MMBtu for natural gas
32 in December 2000, while the wellhead price plus the maximum
33 pipeline transportation rates was about \$5.50; now, therefore, be
34 it

35 *Resolved, by the Assembly and Senate of the State of California,*
36 *jointly, That the President of the United States, the Congress of the*
37 *United States, and the Federal Energy Regulatory Commission are*
38 *urged to do all of the following:*

39 (a) Reestablish cost-based regulation of natural gas sales at the
40 California border by marketers or owners of pipelines.

1 (b) Prohibit withholding of natural gas capacity on pipelines
2 entering California.

3 (c) Require owners of each pipeline entering California to post
4 on the Internet on a daily basis the firm capacity available and the
5 name, address, and capacity used by each firm user of the pipeline.

6 (d) Require marketers to post on the Internet the price and
7 quantity of each sale of natural gas at the California border.

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